

AMENDED IN SENATE APRIL 20, 2006

AMENDED IN SENATE APRIL 17, 2006

SENATE BILL

No. 1636

Introduced by Senator Ackerman

February 24, 2006

An act to amend Sections 3426.4, 3426.5, and 3426.7 of the Civil Code, to amend Section 2019.210 of the Code of Civil Procedure, and to amend Section 6254 of, and to add Section 6256 to, the Government Code Section 3426.4 of the Civil Code, relating to trade secrets.

LEGISLATIVE COUNSEL'S DIGEST

SB 1636, as amended, Ackerman. Trade secrets.

Existing law, the Uniform Trade Secrets Act, provides that actual or threatened acquisition *misappropriation* of a trade secret, as defined, by a person who knows or has reason to know that the trade secret was acquired by improper means, or the disclosure or use of a trade secret without consent, may be enjoined. *The act authorizes the court to award reasonable attorney's fees to the prevailing party if a claim of misappropriation is made in bad faith, a motion to terminate an injunction is made or resisted in bad faith, or willful and malicious misappropriation exists.*

This bill would authorize the court to also award costs to the prevailing party, including a reasonable sum to cover the services of expert witnesses, as specified.

Existing law, the Public Records Act, provides for the disclosure of public records, with specified exemptions.

Existing law requires a court to preserve the secrecy of an alleged trade secret by reasonable means, which may include granting

~~protective orders in connection with discovery proceedings and ordering any person involved in the litigation not to disclose an alleged trade secret without prior court approval. Existing law, also requires a party alleging misappropriation of a trade secret to identify the trade secret with reasonable particularity before commencing discovery related to the trade secret.~~

~~This bill would make clarifying and other changes to those provisions specifying the circumstances under which records containing trade secrets or confidential commercial or financial information may be disclosed and the procedures for discovery and disclosure of that information.~~

~~The bill would provide, among other things, that subpoenas duces tecum for public records in judicial or administrative proceedings in which the public agency in possession of the records is not a party shall be deemed to be requests for records under the Public Records Act and shall be handled pursuant to the rules governing public disclosure under the act.~~

~~The bill would expand the provision requiring a court to preserve the secrecy of an alleged trade secret by reasonable means, by explicitly authorizing a court to order any person involved in the litigation not to use materials obtained for the first time in discovery in the litigation for purposes other than the prosecution or defense of the action. The bill would also require a party alleging misappropriation of a trade secret to identify that trade secret with reasonable specificity, rather than particularity, before commencing discovery related to the trade secret, and would set forth criteria for the court to consider in determining the appropriate level of specificity.~~

~~The bill would require state agencies to establish procedures to notify submitters of records containing trade secret or confidential commercial or financial information when those records are requested if the agency determines that it may be required to disclose the records. The procedures would be required to afford the submitter a reasonable period of time to object to the disclosure of the records, and the agency would be required to respond to the submitter's objections in a written statement. The agency also would be required to notify the requestor of the records that notice and an opportunity to comment are being provided to the submitter, to indicate any records withheld or information deleted on the released records, and to provide an index of deleted information and records withheld entirely.~~

~~The bill also would provide that in any suit brought by a person seeking to compel disclosure of records that have been withheld by an agency for containing trade secret or confidential commercial or financial information the party bringing the suit shall join the submitter of the records and, to the extent that the submitter is not joined, the bill would require the agency to file a third party request to join the submitter, as specified.~~

~~The bill would also require an agency, to the extent that the agency receives a subpoena duces tecum requesting records that have been designated by a submitter as records containing a trade secret or confidential commercial or financial information, to provide notice and a copy of the subpoena to the submitter, to provide a reasonable opportunity to object to the request, to notify the party issuing the subpoena that the material has been so designated, and to object and withhold documents so designated until the submitter authorizes their release or a court orders enforcement of the subpoena.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~yes~~*no*. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 3426.4 of the Civil Code is amended to
2 read:
3 3426.4. If a claim of misappropriation is made in bad faith, a
4 motion to terminate an injunction is made or resisted in bad faith,
5 or willful and malicious misappropriation exists, the court may
6 award reasonable attorney's fees and costs to the prevailing party.
7 Recoverable costs hereunder shall include a reasonable sum to
8 cover the services of expert witnesses, who are not regular
9 employees of any party, actually incurred and reasonably
10 necessary in either, or both, preparation for trial or arbitration, or
11 during trial or arbitration, of the case by the prevailing party.

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**All matter omitted in this version of the bill
appears in the bill amended in Senate,
April 17, 2006 (JR11)**

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